

Message Text

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ACTION COME-00

INFO OCT-01 AF-10 ISO-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

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R 301136Z JAN 74

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 1026

INFO AMCONSUL CASABLANCA

AMCONSUL TANGIER

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E.O. 11652: N/A

TAGS: EIND, MO

SUBJ: CONTINUING U.S. TOURIST INVESTMENT PROBLEMS: HOLIDAY INN
AND HILTON

REF: RABAT 5575, DEC. 28, 1973

1. SUMMARY. PRIVATE NEGOTIATIONS ON HOLIDAY INN REMAIN STALLED. MEANWHILE, HILTON HAS RECOMMENCED ATTEMPTS PULL OUT OF ITS COSTLY INVESTMENT IN RABAT. COMMON THREAD IS APPARENT INTERCONTINENTAL HOTELS INTEREST IN MANAGING ALL HOTELS INVOLVED. ENDSUMMARY.

2. HOLIDAY INN. WE UNDERSTAND FROM MINISTRY TOURISM THAT HI AND GOM WERE SUCCESSFUL IN OBTAINING ADJOURNMENT ICID ARBITRATION MEETING AT LEAST UNTIL FEBRUARY. HI CHAIRMAN WILSON HAS HOWEVER THUS FAR REFUSED RECONFIRM PRIVATE ARRANGMENT STRUCK WITH MOROCCANS LAST OCTOBER OR PROVIDE EARNEST PAYMENT DH 100 THOUSAND GOM HAD REQUESTED BY JANUARY 20. THIS MAY BE DUE TO SECOND THOUGHTS ON DEAL ON PART OF U.S. COMPANY TRAMMEL-CROW WHICH WAS TO HAVE FINANCED IT.

TC NOW REPORTEDLY ASKING FOR FURTHER STUDY AND GOM GUARANTEES BEFORE PROVIDING DH 26 MILLION REQUIRED. REPS OF BOTH T-C AND INTERCONTINENTAL HOTELS (WHICH WOULD MANAGE HOTELS UNDER THIS LIMITED OFFICIAL USE

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ARRANGEMENT) HAVE BEEN IN COUNTRY LATELY TO INSPECT SITES AND

DISCUSS PLANS WITH LOCAL OFFICIALS AND BANKERS.

3. HILTON. INTERNATIONAL PRESIDENT STRAND REPORTEDLY WITH DIRECTOR GENERAL OF MOROCCAN PARTNER, CAISSE DE DEPOT ET GESTION (CDG) IN DECEMBER AND DEMANDED END TO PRESENT CONTRACT WHEREBY HILTON MANAGES, TAKES ONE-THIRD OF PROFITS, AND ALL LOSSES. UNDER THIS ARRANGEMENT, HILTON HAS ASSUMED LOSSES EVERY YEAR BUT ONE SINCE HOTEL OPENED IN 1966. LOCAL MANAGER TELLS US 1973 DEFICIT WAS US \$160,000, AND WILL PROBABLY BE MUCH WORSE IN 1974; AMERICAN TOURIST CANCELLATIONS DUE TO MIDDLE EAST SITUATION AND ENERGY CRISIS WILL, HE ESTIMATES, CUT OCCUPANCY RATE TO 20 PERCENT THIS YEAR. THUS STRAND SAID TO HAVE SUGGESTED EITHER SWITCH TO SIMPLE MANAGEMENT CONTRACT (I.E. NO SHARE PROFITS/LOSSES), OR AMICABLE SEPARATION. FINAL JOINT DECISION WILL BE REACHED NEXT MONTH. MEANWHILE, CDG CASTING ABOUT FOR NEW PARTNER WILLING ACCEPT ARRANGEMENT ALONG SAME LINES AS PRESENT HILTON CONTRACT. IT HOLDING DISCUSSIONS AT PRESENT WITH INTERCONTINENTAL, WHICH APPARENTLY INTERESTED IN POSSIBLE MONOPOLY OF ALL LUXURY, AMERICAN-STYLE HOSTELRY IN MOROCCO.

4. EMBASSY WILL CONTINUE FOLLOW THESE MANEUVERINGS AND REPORT DEVELOPMENTS.
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